

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Western Washtenaw Recycling Authority	County Washtenaw
Audit Date December 31, 2004	Opinion Date May 11, 2005	Date Accountant Report Submitted to State: June 27, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

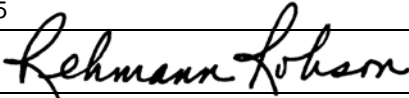
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Accountant Signature 		Zip 48605	

WESTERN WASHTENAW RECYCLING AUTHORITY

Chelsea, Michigan

ANNUAL FINANCIAL STATEMENTS

**For The Year Ended
December 31, 2004**



REHMANN ROBSON

Certified Public Accountants

WESTERN WASHTENAW RECYCLING AUTHORITY

Table Of Contents

	<u>PAGE</u>
Independent Auditors' Report	1
Financial Statements for the Year Ended December 31, 2004	
Statement of Net Assets	2
Statement of Revenue, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-7



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

 an independent member of
BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

May 11, 2005

Board of Directors
Western Washtenaw Recycling Authority
Chelsea, Michigan

We have audited the accompanying financial statements of the **WESTERN WASHTENAW RECYCLING AUTHORITY** as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Western Washtenaw Recycling Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washtenaw Recycling Authority, as of December 31, 2004, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Western Washtenaw Recycling Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

FINANCIAL STATEMENTS

WESTERN WASHTENAW RECYCLING AUTHORITY
STATEMENT OF NET ASSETS
December 31, 2004

ASSETS

Current assets

Cash and cash equivalents	\$ 132,534
Amounts on deposit with Washtenaw Count	785,169
Special assessments receivable	247,157
Accounts receivable	28,474
	<hr/>

Total current assets	<u>1,193,334</u>
-----------------------------	-------------------------

Property and equipment

Buildings	264,059
Equipment	719,388
	<hr/>
Total	983,447
Less: Accumulated depreciation	518,413
	<hr/>

Net land, property and equipment	<u>465,034</u>
---	-----------------------

Total assets	<u><u>\$ 1,658,368</u></u>
---------------------	-----------------------------------

LIABILITIES AND NET ASSETS

Current liabilities

Accrued liabilities	\$ 56,309
Accrued wages	12,614
	<hr/>

Total liabilities	<u>68,923</u>
--------------------------	----------------------

Net assets

Investment in capital assets	465,034
Unrestricted	1,124,411
	<hr/>

Total net assets	<u>1,589,445</u>
-------------------------	-------------------------

Total liabilities and net assets	<u><u>\$ 1,658,368</u></u>
---	-----------------------------------

The accompanying notes are an integral part of these financial statements.

WESTERN WASHTENAW RECYCLING AUTHORITY
STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN NET ASSETS
For the Year Ended December 31, 2004

Operating revenue	
Special assessments	\$ 284,488
Sale of recycled materials	345,147
Other revenue	650
	<hr/>
Total operating revenue	630,285
	<hr/>
Operating expenses	
Personnel services	307,607
Contractual services	36,432
Supplies	13,076
Transportation	19,033
Utilities	8,944
Repairs and maintenance	40,764
Insurance	14,901
Depreciation	75,845
Promotion and advertising	1,963
Miscellaneous	15,753
	<hr/>
Total operating expenses	534,318
	<hr/>
Operating income	95,967
	<hr/>
Non-operating revenue and expense	
Loss on sale of property and equipment	(2,359)
Interest revenue	20,414
	<hr/>
Total non-operating revenue	18,055
	<hr/>
Change in net assets	114,022
	<hr/>
Net assets, beginning of year, as restated	1,475,423
	<hr/>
Net assets, end of year	\$ 1,589,445
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

WESTERN WASHTENAW RECYCLING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

Cash flows from operating activities

Cash received from customers, residents and users	\$ 510,275
Other operating receipts	650
Cash paid to employees	(294,993)
Cash paid to suppliers	<u>(159,045)</u>
Net cash provided by operating activities	<u>56,887</u>

**Cash flows from capital and related
financing activities**

Purchase of property and equipment	(59,685)
Proceeds from sale of property and equipment	<u>5,500</u>
Net cash used for capital and related financing activities	<u>(54,185)</u>

Cash flows from investing activities

Interest earned on investments	<u>20,414</u>
--------------------------------	---------------

Net increase in cash and cash equivalents 23,116

Cash and cash equivalents, beginning of year 109,418

Cash and cash equivalents, end of year \$ 132,534

**Reconciliation of operating income to net
cash provided by operating activities:**

Operating income	\$ 95,967
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	75,845
Changes in assets and liabilities	
Amount on deposit with Washtenaw County	(104,109)
Special assessments receivable	(7,050)
Accounts receivable	(8,201)
Accrued liabilities	(8,179)
Accrued wages	<u>12,614</u>

Net cash provided by operating activities: \$ 56,887

The accompanying notes are an integral part of these financial statements.

WESTERN WASHTENAW RECYCLING AUTHORITY

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Western Washtenaw Recycling Authority (“Authority”) provides recycling services primarily for the benefit of citizens within the Authority’s special assessment districts in Washtenaw County, Michigan. The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

The Authority is governed by a Board of Directors that is appointed by the member municipalities. As required by generally accepted accounting principles, these financial statements present the Western Washtenaw Recycling Authority. The Authority has no component units that are required to be included in the financial statements.

Basis of Accounting

The Authority utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Authority is accounted for on a cost of services or *economic resources* measurement focus. This means that all liabilities (whether current or non-current) associated with its activity are included on the statement of net assets and its operating statement presents increases (revenues) and decreases (expenses) in net assets.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

WESTERN WASHTENAW RECYCLING AUTHORITY

Notes To Financial Statements

Cash and Cash Equivalents

The Authority considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Amounts On Deposit With Washtenaw County

The Authority has an account set up with Washtenaw County whereby special assessment payments are collected and certain disbursements are approved. The account was set up to provide assurance that the monies received from the special assessments would be properly accounted for and disbursed.

Property and Equipment

Capital assets, which include property and equipment, are recorded at cost. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. Maintenance and repairs are charged to expense as incurred and renewals and betterments are capitalized on the basis of cost. Depreciation is computed under the straight-line method at annual rates which are sufficient to amortize the gross carrying amounts over the estimated useful lives of the assets, which are as follows:

	<u>Years</u>
Buildings and building improvements	15-50
Equipment, furniture and fixtures	7-20

2. CASH AND CASH EQUIVALENTS

At year end, the carrying amount of deposits for the Authority was \$132,334. The combined bank balance was \$132,098. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance of \$32,098 was uninsured and uncollateralized. In addition, the Authority had \$200 in petty cash.

WESTERN WASHTENAW RECYCLING AUTHORITY

Notes To Financial Statements

3. CAPITAL ASSETS

The Authority's capital assets activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Buildings	\$ 264,059	\$ -	\$ -	\$ 264,059
Equipment	676,763	59,685	(17,060)	719,388
Less accumulated depreciation for:				
Buildings	(50,633)	(5,499)	-	(56,132)
Equipment	<u>(401,136)</u>	<u>(70,346)</u>	<u>9,201</u>	<u>(462,281)</u>
Capital assets, net	<u>\$ 489,053</u>	<u>\$ (16,160)</u>	<u>\$ (7,859)</u>	<u>\$ 465,034</u>

4. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits. The Authority uses commercial insurance for all claims other than workers' compensation claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

5. RESTATEMENT

Beginning net assets as of January 1, 2004 were increased by \$293,399 to properly account for special assessments receivable. Also, beginning net assets were increased by \$335,400 for amounts previously reported as contributed capital.

* * * * *